

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 2003-82

February 11, 2003

PUBLIC UTILITIES COMMISSION  
Inquiry into the Status of the Competitive  
Market in Northern Maine

NOTICE  
OF INQUIRY

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

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**I. SUMMARY**

By way of this Notice, the Commission initiates this Inquiry into the status of the competitive market for electricity supply in Northern Maine. Our objective is to gather information about the adequacy of existing market structures, rules and laws in light of the number of supplier/generator participants in the region.

**II. BACKGROUND**

In contrast to the rest of Maine, which is part of the ISO-NE region, Northern Maine is electrically part the Canadian Maritimes region, which also includes the electric loads and generation of New Brunswick, as well as Nova Scotia and Prince Edward Island. Load and generation in Northern Maine are connected to the rest of Maine and New England only by transmission through New Brunswick. The region includes the service areas of Maine Public Service Company (MPS) and three consumer-owned utilities: Houlton Water Company (Houlton), Van Buren Light and Power District (Van Buren), and Eastern Maine Electric Cooperative (EMEC), (collectively, the COUs), and has an aggregate peak load of about 140 MW. Load is supplied by a combination of generating plants located in-region and power from New Brunswick. The Northern Maine Independent System Operator (NMISA) administers the bulk power and transmission systems for the region.

Maine's Electric Industry Restructuring Act, which required MPS to divest its generating assets, eliminated rate regulation for the production and sale of electricity supply as of March 1, 2000. 35-A M.R.S.A. §§ 3202 and 3204. On April 5, 1999, the Commission approved the sale of MPS's generating assets, including plants in Northern Maine consisting of about 37 MW of hydro-electric capacity, 12 MW of diesel and 23 MW of oil-fired steam (deactivated), to WPS. Since that time, WPS has continued to own and operate those facilities. MPS remains a party to a power contract with Wheelabrator-Sherman, an 18 MW biomass plant located in MPS's service territory. In accordance with statute, MPS must sell its entitlements to all the power the facility provides. 35-A M.R.S.A. § 3204(4).

The retail market in the MPS area appears to have been fairly competitive, with almost 60% of the load currently served by non-standard offer Competitive Energy Providers (CEPs). However, the number of participating CEPs has been limited. Standard offer service prices in Northern Maine have been acceptable and stable, although the number of suppliers competing to provide standard offer service has been similarly limited.

The Northern Maine wholesale market is also relatively limited in terms of the number of generation suppliers. In addition to the owners of the in-region plants (primarily WPS), NB Power has been the only other major supplier participant. The market has not attracted suppliers from other regions and the physical constraints and costs of transmission between northern Maine and the ISO-NE region have, at least thus far, limited transactions between the regions.

### III. INQUIRY

The purpose of our Inquiry is to identify issues and potential concerns related to Northern Maine's supply and market situation, and to explore possible solutions. To further this effort, we seek comments in the areas noted below. Parties are asked to also address other issues if, in their view, our list is not all-inclusive.

#### 1. System Reliability / In-Region Supply Adequacy

As noted above, the region is integrated with NB Power, which has generation well in excess of the peak load in Northern Maine. However, it is our understanding that there must be a certain level of generation physically located and active "in-region" (i.e. within Northern Maine itself) to meet the operational and reliability requirements of the system. We ask the Northern Maine utilities and the NMISA in particular to describe in detail these system requirements and the current status of the issue.

What steps are necessary to ensure that there is adequate generation located in Northern Maine? Can the system's operational and reliability needs be met through other means, e.g. interconnection with ISO-NE, strengthened ties with New Brunswick?

#### 2. Wholesale Market

What issues arise if there is only one in-region wholesale supplier, or if only one supplier in the market owns in-region

generation? What, if any, steps could be taken to mitigate problems in this regard?

To what extent can/should Northern Maine continue to rely on NB Power for capacity and energy? What issues arise as a result of NB Power's own restructuring - in particular, the potential involvement/ownership by other entities in Coleson Cove and Pt. Lepreau? What issues arise as a result of the overall market restructuring underway in the Province?

3. Retail CEP Market

What are the long run implications of having such a limited number of competitors in a market? What can/should be done to ensure sufficient supplier participation in the Northern Maine retail market?

4. Standard Offer Service Market

Similarly, what are the implications of the above scenarios for standard offer of service? What role, if any, should MPS and the COUs play in the standard offer service market? What can/should be done to encourage supplier participation in this market?

5. Market for MPS's Wheelabrator-Sherman Entitlement

The current purchase arrangements for MPS's Wheelabrator-Sherman entitlement terminate in February 2004. What steps can/should be taken to ensure that the full value of this energy and capacity is obtained after the current arrangements end?

6. To the extent that a commenter believes legislation is required to address any area of concern identified in response to issues 1-5, please fully describe the legislation recommended.

#### IV. SCHEDULE

Persons interested in participating in this matter should file their comments in response to Section III, no later than **February 26, 2003**. Copies of comments should be filed electronically and will be available for review via the Internet on the Commission's Virtual Case File system. A technical conference on the comments will be held on **March 4, 2003** in the Commission's Hearing Room at **2:00 p.m.**

**V. SERVICE OF NOTICE**

A copy of this Notice shall be provided to all electric utilities in the state, the CEP service list, the service list in Docket No. 2002-299, the Industrial Energy Consumers Group and the Independent Energy Producers of Maine.

Dated at Augusta, Maine, this 11<sup>th</sup> day of February, 2003.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:

Nugent  
Diamond

COMMISSIONERS ABSENT:

Welch